



IOWA STATE UNIVERSITY

OF SCIENCE AND TECHNOLOGY

Financial Report

For the year ended June 30, 2005



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IOWA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2005

Iowa State University provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the University for the year ended June 30, 2005, along with comparative data for the years ended June 30, 2004, and 2003. Readers are encouraged to consider this information in conjunction with the University's financial statements that follow.

Iowa State University follows GASB Statement No. 39 which requires the primary government to discretely present, within its own statements, the financial statements of certain component units. As explained in Note 1B3, the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") are a legally separate, tax-exempt component unit of the University and, accordingly, the combined financial statements are discretely presented with those of the University. However, since the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University, a discussion of these assets is not included in this Management's Discussion and Analysis.

USING THIS ANNUAL REPORT

This analysis is intended to serve as an introduction to Iowa State University's basic financial statements. These basic financial statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These provide information on the University as a whole and present both a short term as well as a longer term view of the University's financial position. These basic financial statements also include the Notes to the Financial Statements which explain and provide further detail of the basic statements.

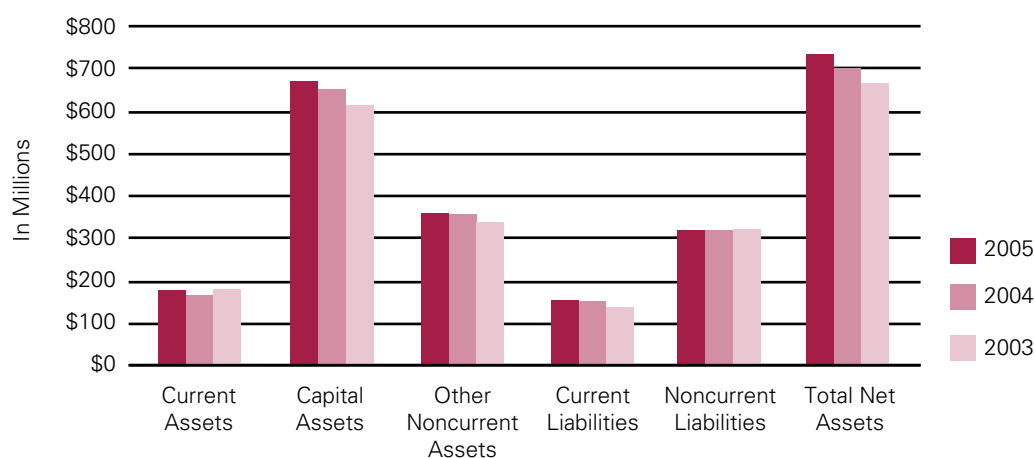
THE UNIVERSITY AS A WHOLE

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. Net Assets—the difference between assets and liabilities—is one indicator of the current financial condition of the University, while the change in net assets (shown on the next statement) is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Assets is also a good source for readers to determine how much the University owes to outside vendors, investors, and lending institutions. Similarly, the Statement presents the available assets that can be used to satisfy those liabilities.

	<i>June 30, 2005</i>	<i>June 30, 2004</i>	<i>June 30, 2003</i> <i>Restated</i>
<i>Current Assets</i>	\$ 176,888,165	\$ 164,569,535	\$ 180,572,237
<i>Capital Assets</i>	671,676,503	649,041,722	609,719,971
<i>Other Noncurrent Assets</i>	357,216,970	354,932,346	336,481,522
<i>Total Assets</i>	<u>1,205,781,638</u>	<u>1,168,543,603</u>	<u>1,126,773,730</u>
<i>Current Liabilities</i>	155,926,064	151,619,320	141,650,992
<i>Noncurrent Liabilities</i>	319,722,346	319,323,031	318,082,527
<i>Total Liabilities</i>	<u>475,648,410</u>	<u>470,942,351</u>	<u>459,733,519</u>
<i>Total Net Assets</i>	<u>\$ 730,133,228</u>	<u>\$ 697,601,252</u>	<u>\$ 667,040,211</u>

Total assets at June 30, 2005, were \$1.2 billion, which is comparable to the prior year. Net capital assets comprised \$671.7 million of the \$1.2 billion in assets. Total liabilities were \$475.6 million at June 30, 2005, an increase of \$4.7 million. The comparison of current and noncurrent assets, liabilities, and net assets as of June 30, 2005, 2004, and 2003 is shown above. Changes in 2005 were similar to those in 2004 when total assets increased 3.7%. Total liabilities in 2005 increased, but not as sharply as in 2004.



Changes in Net Assets

Net assets increased \$32.5 million, or 4.7% for the year. Generally, an increase in net assets indicates that the financial condition has improved over the year, at least on a short-term basis. Significant changes in net assets occurred in the following areas:

- Capital assets, net of depreciation, increased \$22.6 million. Capital assets are discussed in greater detail later in this Management's Discussion & Analysis.
- Cash and cash equivalents decreased \$72.4 million and investments increased \$88.6 million. The Board of Regents' investment strategy changed from a passively managed portfolio consisting primarily of mutual funds, which are considered cash equivalents, to active management of investment instruments. With active management, the University is invested in individual stocks selected to outperform the Standard & Poor's Index.
- Other long-term liabilities decreased \$6.1 million, due primarily to the payout of early retirement benefits in a program that is closed to additional participants.

Total net assets at June 30, 2005, were \$730.1 million. The largest portion of the University's net assets (59.9%) is categorized as Invested in Capital Assets, Net of Related Debt. This category contains the land, buildings, infrastructure, land improvements, and equipment owned by the University. The restricted portion of the net assets (9%) is divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted assets is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. The remaining net assets are unrestricted net assets, including those used to meet specific purposes such as funding for the bonded enterprises. The composition of the net asset balances is shown below. The categories, as a percentage of total net assets, have not changed significantly since 2003.

	June 30, 2005	June 30, 2004	June 30, 2003 Restated
Invested in Capital Assets, Net of Related Debt	\$437,496,011	\$414,256,199	\$387,394,894
Restricted Nonexpendable	28,481,172	28,071,960	27,626,992
Restricted Expendable	36,953,615	39,531,279	37,735,867
Unrestricted	227,202,430	215,741,814	214,282,458
Total Net Assets	\$730,133,228	\$697,601,252	\$667,040,211

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented in the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the operating and nonoperating revenues earned by the University, the operating and nonoperating expenses incurred by the University, and any other revenues, expenses, gains and losses earned or incurred by the University.

In general, a public university such as Iowa State University will report an operating loss since the financial reporting model classifies state appropriations as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the University. Operating expenses are those expenses paid to carry out the missions of the University. Nonoperating revenues are revenues received where goods and services are not provided.

Had state appropriations been included in operating revenues, the operating loss for 2005 would have been \$14.2 million compared to \$24.5 million for 2004 and \$1.8 million for 2003. Auxiliary enterprises accounted for much of the improvement since revenue increased \$1.4 million and expenses decreased \$3.4 million. An auxiliary enterprise frequently experiences timing variations in the business cycle such as this.

As noted in the previous section, when all nonoperating and other revenues and expenses are considered, revenues exceeded expenses by \$32.5 million for 2005.

	<i>For the Years Ended</i>		
	<i>June 30, 2005</i>	<i>June 30, 2004</i>	<i>June 30, 2003</i>
Operating Revenues	\$501,750,646	\$476,204,171	\$455,373,268
Operating Expenses	752,141,362	737,403,115	707,858,884
Operating Loss	(250,390,716)	(261,198,944)	(252,485,616)
Nonoperating Revenues and Expenses	273,167,354	259,880,319	290,357,446
Income/(Loss) Before Other Revenues, Expenses, Gains and Losses	22,776,638	(1,318,625)	37,871,830
Other Revenues, Expenses, Gains and Losses	9,755,338	31,879,666	51,152,875
Increase in Net Assets	32,531,976	30,561,041	89,024,705
Net Assets, Beginning of Year	697,601,252	667,040,211	591,803,483
Prior Period Adjustment			(13,787,977)
Net Assets, End of Year	\$730,133,228	\$697,601,252	\$667,040,211

Revenues

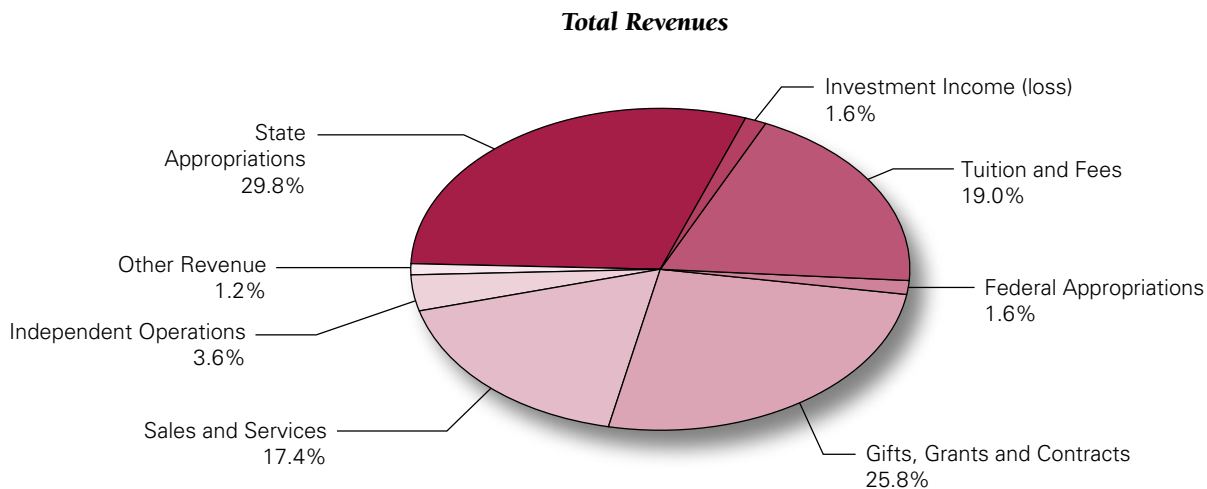
Operating revenues for the year ended June 30, 2005, increased \$25.5 million. Major components of this change were:

- Tuition and fees, net of scholarship allowances, increased \$6.6 million, or 4.5% which is similar to the increase in tuition rates. Enrollment in 2005 was slightly down from the prior year.
- Federal grants and contracts increased \$9 million. Awards for sponsored funding reached a record level for the seventh year in a row.
- Sales and services of educational activities increased \$2.7 million due to an increase in fee-for-service type operations that are a natural outgrowth of reduced funding from the state.
- Other operating revenues increased \$4.5 million. This included increases in revenue from Conference Services and increases in patent royalties received by the Iowa State University Research Foundation.

Nonoperating revenues declined \$5.7 million from the year ended June 30, 2004. The major component of this change was a \$5.1 million reduction in realized and unrealized investment income.

Other revenues decreased \$22.2 million, or 69.5%, over the year ended June 30, 2004, due to reductions in capital appropriations and capital gifts, grants and contracts. Capital Appropriations decreased \$8.2 million due to a reduction in earmarked funds from the State of Iowa. Only \$1.9 million was added to available funds in 2005, the lowest amount in the last decade. Capital gifts, grants and contracts dropped \$14 million, mostly from the Iowa State University Foundation. Revenue is recognized only when transfers from the Foundation are made. In 2004, a number of major capital projects with Foundation funding were completed so the reduction in funding is to be expected.

In summary, total revenues of the University decreased \$2.3 million in 2005 from \$800.3 million to \$798 million. The components of these revenues are shown on the following graph.



In comparing the years ended June 30, 2004, and 2003, operating revenues increased \$20.8 million. The major element of this increase was tuition and fees, net of scholarship allowances, which increased \$16.8 million. This was due primarily to an increase in tuition rates since enrollment was flat. These increases were offset somewhat by a \$5.6 million decrease in other operating revenue. More than half that reduction was due to a decline in patent royalties received by the Iowa State University Research Foundation. In fiscal 2004, other revenues decreased \$19.2 million from 2003 but were offset by a prior period adjustment of \$16.4 million which removed gifts of developmental software which should not have been capitalized.

Expenses

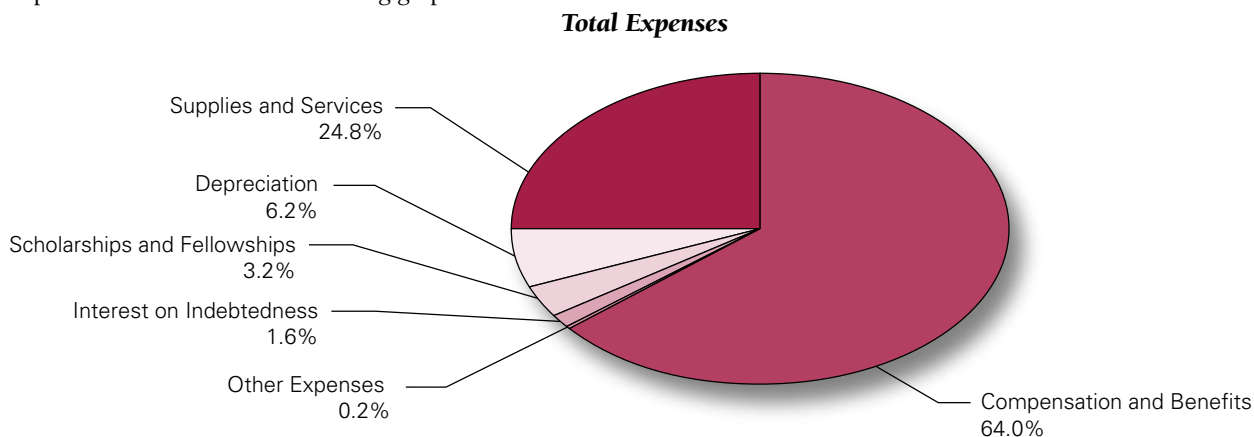
Operating expenses were \$752.1 million for the 2005 fiscal year. This was an increase of 2%, or \$14.7 million over the previous year. Changes in the major natural expense categories were:

- Compensation and benefits decreased \$2.3 million, or less than 1%. This reflects the reduction of 262 FTE's (full time equivalent) employees predominantly in the student hourly and merit classifications.
- Scholarships and fellowships expense increased \$4.7 million. Total scholarships include both scholarship expenses that appear as an operating expense and the scholarship allowance which is netted against tuition revenue. In total, these increased 7.1% which is due in part to the tuition increase as well as the University's focus on increasing student aid.
- Supplies increased \$6.6 million of which \$1.7 million was due to increases in the cost of utilities. Excluding utilities, the increase is 5.2% which reflects the growth in research programs in addition to the expected effects of inflation.
- Depreciation increased \$2.1 million or 4.7%, primarily in building depreciation. While fewer new buildings were placed in service in 2005 compared to prior years, significant remodeling projects were completed which raised the depreciation base.

Operating expenses may be classified according to natural categories as in the previous paragraph or functionally as shown in the financial statements. From a functional perspective, the largest dollar increases were in Operation and Maintenance, due to increased utility costs, and Public Service which grew \$2.8 million, due to increased activity in Conference Services and other Extension programs.

Nonoperating expenses decreased \$18.9 million since the FY04 amount included the loss on disposal of equipment attributable to the write-off of items below the new capitalization threshold. In addition, interest on indebtedness decreased 5.9% due to the retirement of a series of Dormitory Revenue Bonds as well as interest savings from refunding issues which were done last year.

In summary, total expenses for 2005 were \$765.5 million, a decrease of \$4.3 million or 0.6%. The components of these expenses are shown in the following graph:



Comparing the years ended June 30, 2004, and 2003, operating expenses in fiscal 2004 increased \$29.5 million over those of 2003, which is slightly higher than the increase from 2004 to 2005. In the natural classifications, percentages of the total have remained quite consistent over the last three years. Functionally, research and instruction had the majority of the increase. In fiscal 2004, nonoperating expenses increased \$19 million, due primarily to the loss on disposal of equipment attributable to the write-off of items below the new capitalization threshold.

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the University for the fiscal year. This Statement also aids in the assessment of the University's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, categorized as operating, non-capital financing, capital and related financing, and investing activities.

Cash provided by operating activities includes tuition and fees and grant and contract revenues. Cash used for operating activities includes payments to employees and to suppliers. Cash provided or used by non-capital financing activities includes state appropriations, the receipt and disbursement of the federal direct loan program, and non-capital gifts. Cash provided or used for capital and related financing activities represents proceeds from debt, the principal and interest payments towards debt, capital appropriations, capital gifts and grants, and the purchase and construction of capital assets. Cash provided or used by investing activities includes purchases and sales of investments as well as investment income and losses realized.

Cash and cash equivalents decreased \$72.4 million in 2005. A significant decrease in cash is typically viewed negatively. However, this simply represents a shifting of investment strategy from cash equivalents to investments as discussed in the Changes in Net Assets section of this MD&A. Investments increased \$88.6 million during the same period, the effect of which is incorporated into the table below under Investing Activities.

	For the Years Ended		
	June 30, 2005	June 30, 2004	June 30, 2003
Cash Provided/(Used) by:			
Operating Activities	\$(209,240,903)	\$(211,678,830)	\$(213,754,215)
Non-capital Financing Activities	276,769,645	295,045,760	286,269,991
Capital and Related Financing Activities	(59,348,318)	(95,496,565)	(61,596,260)
Investing Activities	(80,600,110)	27,106,328	20,843,841
Net Increase/(Decrease) in Cash	(72,419,686)	14,976,693	31,763,357
Cash and Cash Equivalents, Beginning of Year	161,075,049	146,098,356	114,334,999
Cash and Cash Equivalents, End of Year	\$ 88,655,363	\$ 161,075,049	\$ 146,098,356

As noted previously, the financial reporting model mandates that state appropriations be classified as non-capital financing sources of cash. If state appropriations had been classified as operating sources of cash, the cash provided by operations would have been \$26.9 million for 2005 compared to \$25 million for 2004 and \$36.9 million for 2003. The decline between 2003 and 2004 is due primarily to operating expenses increasing at a higher rate than operating revenues.

CAPITAL ASSETS

At June 30, 2005, the University had \$1.4 billion invested in capital assets, with accumulated depreciation of \$694.7 million for net capital assets of \$671.7 million. Depreciation charges for fiscal year 2005 totaled \$47 million. Capital assets, net of accumulated depreciation, were as follows:

	<i>June 30, 2005</i>	<i>June 30, 2004</i>	<i>June 30, 2003</i>
<i>Land and Land Improvements, Nondepreciable</i>	\$ 9,998,926	\$ 10,152,159	\$ 10,152,159
<i>Construction in Progress</i>	39,069,583	60,852,710	83,454,614
<i>Infrastructure and Land Improvements, Depreciable</i>	67,914,630	69,291,282	66,402,914
<i>Buildings</i>	460,026,612	416,881,966	341,373,538
<i>Equipment and Library Collections</i>	94,666,752	91,863,605	108,336,746
<i>Total Capital Assets, Net Of Accumulated Depreciation</i>	<u>\$671,676,503</u>	<u>\$649,041,722</u>	<u>\$609,719,971</u>

During fiscal year 2005, several major projects were placed in service, including:

- Stephen and Debora Bergstrom Indoor Multipurpose Use and Training Facility
- Union Drive Suite Building 2
- Buchanan Hall renovation
- Regulated Materials Facility

The Stephen and Debora Bergstrom Indoor Multipurpose Use and Training Facility has been funded with proceeds from Revenue Bonds and private gifts. Union Drive Suite Building 2 and the Buchanan Hall renovation projects have been funded with proceeds from Dormitory Revenue Bonds. The Regulated Materials Facility has been funded with proceeds from Regulated Materials Revenue Bonds and University sources.

Several major construction projects were in progress at June 30, 2005. These are included in capital assets as construction in progress and will not be depreciated until the year they are placed in service. These projects include:

- Carver Hall renovation
- Morrill Hall renovation
- Veterinary Medicine Hospital Lab renovation
- Memorial Union renovation

The Carver Hall renovation has been funded from various University sources. The Morrill Hall renovation has been funded with Capital Appropriations, private gifts and various University sources. The Veterinary Medicine Hospital Lab renovation has been funded to date with private gifts. The Memorial Union renovation has been funded with proceeds from Memorial Union Revenue Bonds.

Capital Appropriations, Grants and Contracts

Capital appropriations from the State of Iowa have traditionally been a significant source of funding for construction of new buildings as well as major renovations. Capital appropriations of \$1.9 million in 2005 and \$10.2 million in 2004 were for improvements to miscellaneous classrooms and auditoriums.

In addition, capital gifts and grants revenue of \$7.5 million was recognized. Capital gifts, grants and contracts dropped \$14 million, mostly from the Iowa State University Foundation. Revenue is recognized only when transfers from the Foundation are made. In 2004, a number of major projects with Foundation funding were completed so the reduction in funding is to be expected. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2005, the University had \$285.1 million in outstanding debt compared to \$280.2 million for the prior year. Detailed information about the University's outstanding debt is presented in Note 6 to the financial statements. The table below summarizes outstanding debt by type:

	June 30, 2005	June 30, 2004	June 30, 2003
Bonds Payable-Academic	\$ 58,330,000	\$ 66,080,000	\$ 65,105,000
Bonds Payable-Enterprise Funds	222,715,480	205,390,896	198,322,000
Capital Leases	2,121,819	2,458,980	1,757,719
Notes Payable	1,898,974	6,314,220	13,277,769
Total Debt	\$285,066,273	\$280,244,096	\$278,462,488

The increase in bonds payable for enterprise funds was due to the issuance of Memorial Union Revenue Bonds of \$24,625,000. For 2004, the increase in bonds payable was due to the issuance of Regulated Materials Facilities Revenues Bonds of \$6,750,000, Utility System Revenue Bonds of \$13,280,000, Recreational Facility Revenue Refunding Bonds of \$6,210,000, and three refunding issues of Academic Building Revenue Bonds.

The decrease in Notes Payable was due to the refinancing of the Memorial Union Note as Memorial Union Revenue Bonds. In 2004, the decrease in Notes Payable was due to the refinancing of the Academic Project Note as Academic Revenue Bonds.

ECONOMIC OUTLOOK

The University's economic outlook, dependent upon ongoing financial support from state government, student tuition and fees, and increasing revenue from private giving, is improving. There were no further state budget reductions in 2005, and those from prior years have been partially offset by higher tuition and fees. The national and Iowa economies are improving. State sales and income tax revenues are improving.

Two new and highly significant documents shape Iowa State University's course for the next several years. One is *Forward Thinking*, the University's new strategic plan, which went into effect July 1, 2005, and which will guide virtually every aspect of the University's operation, resource allocation, development, and planning through 2010. The other is the Board of Regents, State of Iowa, *Partnership for Transformation and Excellence Plan (Partnership Plan)*, which begins a dynamic new era in the way Iowans support and appreciate their public universities for the critically important and multi-faceted role they play in improving their lives and shaping Iowa's future.

Both plans are roadmaps for transformation and excellence. The *Partnership Plan* provides the broad parameters for change and has already increased the visibility of Regents institutions with the people of Iowa, resulting in increased financial support from Iowa's leaders. *Forward Thinking* outlines more specific priorities and goals for Iowa State University.

Iowa State's mission, as stated in *Forward Thinking*, is to "create, share and apply knowledge to make Iowa and the world a better place". Transforming the world through the discovery and application of knowledge is what land-grant institutions were created to do, and our vision to "be the best at advancing the land-grant ideals and putting science and technology to work". That means achieving excellence in all areas of our mission.

Forward Thinking identifies five institutional priorities for the fulfillment of the University's mission and the achievement of its vision. Those five priorities are:

- **Education.** Strengthen undergraduate, graduate, and professional education to enhance student success at Iowa State University and beyond.
- **Programs.** Increase the number of graduate, professional, and research programs that are among the very best—especially in areas that build on the University strengths and address local and global critical needs.
- **Economic Impact.** Translate discoveries into viable technologies, products, and services to strengthen the economies of Iowa and the world.
- **Iowa Life.** Elevate the state's appeal as a place to live, learn, work, and play.
- **University Life.** Ensure that the University is a great place to learn and work.

In fiscal year 2006, as a result of the Board of Regents, State of Iowa *Partnership for Transformation and Excellence Plan* (*Partnership Plan*), state appropriations increased by \$9.7 million. This is a multi-year initiative with additional requests submitted for FY07 and beyond.

The University's enrollment has declined slightly to 25,741, which reflects fewer Iowa high school graduates, higher tuition and fees having an impact on some students, and visa issues and challenges in entering the United States having an impact on international students. The University is expanding student aid and recruitment programs to maintain enrollment at or above the current levels. The University continues to have a very successful private philanthropy program. The number of donors who gave last year increased 3.4% to 55,279, with total gift production of more than \$83.2 million. The Iowa State University Foundation is planning a major capital campaign that will be publicly launched in the near future. The political leadership in Iowa is indicating support for a new initiative by the Board of Regents, State of Iowa to fund a multi-year initiative to increase state funding. Supporting education continues to be a state priority. The three public universities are cooperating in a state-wide effort to increase public support. Contacts with alumni, community leaders, and elected officials indicate support. The University continues to receive strong support from elected federal officials who are in key positions in Congress. Private giving and endowment returns are improving. With only three public four-year higher education institutions, governed by a single board, the public universities are strategically seen as critical in improving the state's economic climate. The Board of Regents, State of Iowa is updating strategic plans and looking at ways to deliver services to the people of Iowa more efficiently.

In order to continue to provide a high quality educational experience, tuition rates were increased 4.0% for both resident and nonresident students for Fall 2005. The University's overall tuition rates remain competitive with surrounding public and other peer institutions. Headcount for Fall semester 2005 was 25,741. The University continued the great success of its learning communities, the Center for Teaching Excellence, and other initiatives to improve faculty teaching skills and student learning. Students continue to report very high employment rates in their respective fields and/or continuing professional or graduate education. Employers and others clearly value an Iowa State University degree.

A third major source of revenue, sponsored funding, continues to experience steady growth. Awards received in fiscal year 2005 were \$287 million, setting a new record for sponsored funding awards. The receipt of an award generally precedes the receipt of the actual cash by at least a year, which bodes well for contract and grant and indirect cost revenues in the years to come. Although the University has a broad base of sponsored funding, it continues to focus on core strategic initiatives. During the past five years, sponsored funding has increased 31%. The University continues to be rated very high in R&D 100 awards, number of patents and invention disclosures received, and in licenses executed. The Plant Sciences Institute, a strategic initiative, is becoming a major worldwide center and occupied new state-of-the-art facilities with additional green house space. Initiatives in information assurance, food safety, and bio-renewable resources show promise.

Currently being planned or under construction are a new Alumni Center, renovation of the College of Veterinary Medicine, Coover Hall renovation for electrical and computer engineering, renovation of the student Memorial Union facility, Hilton Coliseum improvements, Morrill Hall renovation, general classroom renovations, and a Student Success Center to provide academic support services to students, including student athletes.

Iowa State University continues to make important progress toward fulfilling the goals of its 2005-2010 Strategic Plan, *Forward Thinking*. We continue our historic missions to be the best at advancing the land-grant ideals and putting science and technology to work. More than 20% of Iowa's population has interacted with Iowa State University to receive education, to improve their quality of life, and to improve economic prospects for them, their companies, and their communities.

Although economic challenges will continue, the economy is improving. The University is strengthening its academic excellence that makes it one of the nation's best universities in fulfilling its land-grant mission.

CONTACTING IOWA STATE UNIVERSITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of Iowa State University's finances and to demonstrate the University's accountability for the funds received. Questions regarding this report or requests for additional financial information should be directed to the Controller's Department, Iowa State University, 3607 Administrative Services Building, Ames, IA 50011-3607.



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STATE OF IOWA

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Independent Auditor's Report

To the Members of the
Board of Regents, State of Iowa:

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of Iowa State University of Science and Technology, Ames, Iowa, (Iowa State University) and its discretely presented component unit as of and for the years ended June 30, 2005 and 2004. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (herein collectively referred to as the "Foundation"), discussed in note 1, which represents 100% of the assets and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component units, Iowa State University Research Foundation, Incorporated and Miller Endowment, Incorporated as discussed in note 1, which represents 3.6% and 0.5 %, respectively, of the assets and revenues of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented and blended component units, are based on the reports of the other auditors.

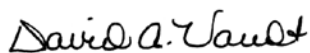
We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Iowa State University Foundation, Iowa State University Achievement Fund and the Original University Foundation (the "Foundation") and Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits and the reports of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Iowa State University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of Iowa State University. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2005 and 2004 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

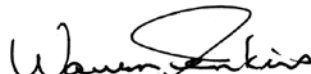
In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iowa State University at June 30, 2005 and 2004, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 2 through 9 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

The report on Iowa State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters required by Government Auditing Standards will be issued under separate cover. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 28, 2005

IOWA STATE UNIVERSITY

STATEMENT OF NET ASSETS

As of June 30, 2005 and 2004

ASSETS	2005	2004
Current Assets:		
Cash and cash equivalents (Note 2A)	\$ 29,337,357	\$ 70,399,233
Investments (Note 2B)	85,388,836	37,719,524
Deposits with trustees (Note 2D)	98,403	98,403
Accounts receivable, net (Note 3A)	16,633,403	15,831,337
Due from government agencies (Note 3B)	26,300,629	22,788,201
Interest receivable	1,547,851	1,196,773
Inventories (Note 4)	14,491,278	13,344,146
Prepaid expenses	3,090,408	3,191,918
Total Current Assets	176,888,165	164,569,535
Noncurrent Assets:		
Cash and cash equivalents (Note 2A)	59,318,006	90,675,816
Investments (Note 2B)	261,229,476	220,345,546
Deposits with trustees (Note 2D)	80,932	936,163
Accounts receivable, net (Note 3A)	8,107,675	9,335,550
Due from government agencies (Note 3B)	5,714,552	10,012,221
Interest receivable	633,002	812,840
Prepaid expenses	93	
Student loans receivable, net (Note 3C)	22,072,863	22,749,874
Equity in wholly owned subsidiary (Note 1B)	60,371	64,336
Capital assets, net of accumulated depreciation (Note 5)	671,676,503	649,041,722
Total Noncurrent Assets	1,028,893,473	1,003,974,068
TOTAL ASSETS	1,205,781,638	1,168,543,603
LIABILITIES		
Current Liabilities		
Accounts payable	33,777,862	32,745,039
Salaries and wages payable	2,646,156	3,051,091
Unpaid claims liability (Note 10B)	3,083,000	3,233,000
Deferred revenue	29,697,003	27,491,310
Interest payable	7,623,974	7,456,444
Long-term debt, current portion (Note 6)	15,438,869	15,644,263
Other long-term liabilities, current portion (Note 6)	19,702,541	21,187,970
Deposits held in custody for others	43,956,659	40,810,203
Total Current Liabilities	155,926,064	151,619,320
Noncurrent Liabilities		
Accounts payable	2,768,809	2,810,264
Long-term debt, noncurrent portion (Note 6)	269,627,404	264,599,833
Other long-term liabilities, noncurrent portion (Note 6)	47,326,133	51,912,934
Total Noncurrent Liabilities	319,722,346	319,323,031
TOTAL LIABILITIES	475,648,410	470,942,351
NET ASSETS		
Invested in capital assets, net of related debt	437,496,011	414,256,199
Restricted (Note 8):		
Nonexpendable	28,481,172	28,071,960
Expendable	36,953,615	39,531,279
Unrestricted	227,202,430	215,741,814
TOTAL NET ASSETS	\$ 730,133,228	\$ 697,601,252

See the accompanying notes which are an integral part of these financial statements.

IOWA STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the years ended June 30, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$41,614,799 and \$42,174,288 for the years ended June 30, 2005 and 2004, respectively (Note 1N)	\$151,932,879	\$145,342,017
Federal appropriations	12,446,533	11,731,700
Federal grants and contracts	127,716,877	118,754,720
State and local government grants and contracts	14,946,182	14,130,418
Nongovernmental grants and contracts	17,379,692	18,630,020
Sales and services of educational activities	36,058,308	33,325,589
Auxiliary enterprises, net of scholarship allowances of \$3,523,178 and \$2,967,676 for the years ended June 30, 2005 and 2004, respectively (Note 1N)	102,617,729	101,219,485
Independent operations	29,074,687	27,807,253
Interest on student loans	332,153	506,050
Other operating revenues	9,245,606	4,756,919
TOTAL OPERATING REVENUES	501,750,646	476,204,171
OPERATING EXPENSES		
Instruction	173,310,115	172,427,420
Research	152,239,880	151,384,187
Public service	69,347,881	66,576,694
Academic support	70,038,147	68,975,922
Student services	25,563,011	25,417,432
Institutional support	29,656,846	28,531,904
Operation and maintenance of plant	48,028,099	44,403,725
Scholarships and fellowships	24,662,225	20,005,848
Auxiliary enterprises	81,535,973	84,979,458
Independent operations	29,781,628	29,134,628
Depreciation	47,002,813	44,892,966
Other operating expenses	974,744	672,931
TOTAL OPERATING EXPENSES	752,141,362	737,403,115
OPERATING LOSS	(250,390,716)	(261,198,944)
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	236,156,073	236,708,764
Federal grants and contracts	12,492,612	13,515,531
Nonfederal gifts, grants and contracts	25,372,668	24,365,222
Investment income/(loss)	12,491,011	17,581,067
Interest on indebtedness	(12,503,876)	(13,281,580)
Loss on disposal of capital assets	(668,211)	(18,857,419)
Other nonoperating income (loss)	(172,923)	(151,266)
NET NONOPERATING REVENUES/(EXPENSES)	273,167,354	259,880,319
INCOME/(LOSS) BEFORE OTHER REVENUES, EXPENSES GAINS AND LOSSES	22,776,638	(1,318,625)
Capital appropriations	1,949,100	10,177,300
Capital gifts, grants and contracts	7,506,238	21,496,232
Additions to permanent endowments	300,000	307,932
Other revenues/(expenses)		(101,798)
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	9,755,338	31,879,666
INCREASE IN NET ASSETS	32,531,976	30,561,041
Net Assets, Beginning of Year	697,601,252	667,040,211
NET ASSETS, END OF YEAR	\$730,133,228	\$697,601,252

See the accompanying notes which are an integral part of these financial statements.

IOWA STATE UNIVERSITY

STATEMENT OF CASH FLOWS

For the years ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 152,393,816	\$ 143,865,883
Federal appropriations	12,285,023	11,640,824
Grants and contracts	156,858,827	150,269,128
Sales of educational activities	35,706,477	33,354,927
Sales and services of auxiliary enterprises	104,607,266	101,948,346
Receipts of independent operations	28,934,281	27,459,129
Interest on loans to students	631,227	648,068
Collections of loans from students	7,741,362	6,942,301
Payments for salaries and benefits	(494,820,525)	(489,477,625)
Payments for goods and services	(188,029,330)	(180,635,801)
Scholarship payments	(24,122,072)	(19,271,182)
Loans issued to students	(7,527,489)	(6,651,708)
Other operating receipts (payments)	6,100,234	8,228,880
NET CASH USED BY OPERATING ACTIVITIES	(209,240,903)	(211,678,830)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	236,156,073	236,708,764
Non-capital gifts, grants and contracts	38,523,892	38,508,620
Direct lending receipts	137,165,410	131,938,793
Direct lending payments	(136,903,860)	(131,929,989)
Funds held for others receipts	292,765,112	280,570,447
Funds held for others payments	(290,936,982)	(260,750,875)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	276,769,645	295,045,760
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	6,188,000	4,291,000
Capital gifts and grants received	11,647,493	19,459,382
Proceeds from capital debt	25,613,353	28,684,312
Proceeds from sale of capital assets	531,930	1,192,054
Acquisition and construction of capital assets	(69,445,554)	(106,032,322)
Principal paid on capital debt	(19,276,596)	(22,611,229)
Interest paid on capital debt	(14,437,071)	(14,545,980)
Other capital and related financing receipts (payments)	(169,873)	(5,933,782)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(59,348,318)	(95,496,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	12,923,286	17,083,013
Proceeds from sales of investments	335,738,536	421,801,645
Purchases of investments	(429,261,932)	(411,778,330)
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	(80,600,110)	27,106,328
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(72,419,686)	14,976,693
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	161,075,049	146,098,356
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 88,655,363	\$ 161,075,049

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	\$(250,390,716)	\$(261,198,944)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	47,002,813	44,892,966
Changes in assets and liabilities:		
Accounts receivable, net	(4,379,297)	4,042,292
Inventories	(1,144,809)	(37,341)
Prepaid expenses	20,390	14,513
Student loans receivable	942,392	592,619
Equity in wholly owned subsidiary	3,964	
Accounts payable	1,402,979	(167,258)
Deferred revenue	1,821,709	(2,359,221)
Compensated absences	(1,508,295)	841,943
Early retirement benefits payable	(3,210,840)	1,500,794
Refundable advances on student loans	198,807	198,807
NET CASH USED BY OPERATING ACTIVITIES	<u>\$(209,240,903)</u>	<u>\$(211,678,830)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital gifts-in-kind	\$ 415,000	\$ 5,750,014
Assets acquired under capital leases		\$ 678,963

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS

Cash and cash equivalents classified as current assets	\$ 29,337,357	\$ 70,399,233
Cash and cash equivalents classified as noncurrent assets	59,318,006	90,675,816
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 88,655,363</u>	<u>\$ 161,075,049</u>

See the accompanying notes which are an integral part of these financial statements.

**IOWA STATE UNIVERSITY FOUNDATION
IOWA STATE UNIVERSITY ACHIEVEMENT FUND
ORIGINAL UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2005 and 2004

	June 30, 2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Cash and cash equivalents	\$ 3,414,010	\$	\$	\$ 3,414,010
Receivables:				
Pledges, net (Note 3D)	57,993	27,829,279	9,441,768	37,329,040
Estates	23,237	847,002	5,428,354	6,298,593
Funds held in trust by others		1,424,672	16,991,190	18,415,862
Total receivables	81,230	30,100,953	31,861,312	62,043,495
Investments (Note 2C):				
Pooled investments	1,123,416	71,657,948	288,794,814	361,576,178
Other marketable securities	119,836	14,804,406	27,148,546	42,072,788
Equity in subsidiary	2,093,394			2,093,394
Real estate and other investments	6,321,507	2,406,567	3,440,613	12,168,687
Total investments	9,658,153	88,868,921	319,383,973	417,911,047
Interfund receivable/(payable)				-
Property and equipment	3,634,166			3,634,166
Other assets	448,276	2,354,014	2,449	2,804,739
TOTAL ASSETS	\$17,235,835	\$121,323,888	\$351,247,734	\$489,807,457
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 457,233	\$ 289,393	\$	\$ 746,626
Due to related organizations	150,000	7,307,981	1,451,322	8,909,303
Bonds payable	3,567,124			3,567,124
Long-term liabilities	1,189,689	2,984,369	1,071,824	5,245,882
Annuities payable		7,155,965	15,552,022	22,707,987
TOTAL LIABILITIES	5,364,046	17,737,708	18,075,168	41,176,922
NET ASSETS (Note 8)	11,871,789	103,586,180	333,172,566	448,630,535
TOTAL LIABILITIES AND NET ASSETS	\$17,235,835	\$121,323,888	\$351,247,734	\$489,807,457

See the accompanying notes which are an integral part of these financial statements.

June 30, 2004			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,270,525	\$	\$	\$ 2,270,525
54,763	24,414,869	3,013,807	27,483,439
23,238	670,710	7,083,807	7,777,755
	1,188,745	13,863,746	15,052,491
78,001	26,274,324	23,961,360	50,313,685
	68,069,633	262,871,943	330,941,576
127,667	14,652,832	20,648,475	35,428,974
2,546,928			2,546,928
6,041,807	3,344,337	1,961,587	11,347,731
8,716,402	86,066,802	285,482,005	380,265,209
20,610	(20,610)		-
3,786,036			3,786,036
390,753	2,791,430	2,449	3,184,632
\$15,262,327	\$115,111,946	\$309,445,814	\$439,820,087
\$ 509,252	\$ 221,151	\$	\$ 730,403
150,000	11,000,266	1,407,063	12,557,329
3,704,419			3,704,419
1,188,686	3,645,920		4,834,606
	7,332,667	12,783,771	20,116,438
5,552,357	22,200,004	14,190,834	41,943,195
9,709,970	92,911,942	295,254,980	397,876,892
\$15,262,327	\$115,111,946	\$309,445,814	\$439,820,087

**IOWA STATE UNIVERSITY FOUNDATION
IOWA STATE UNIVERSITY ACHIEVEMENT FUND
ORIGINAL UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the years ended June 30, 2005 and 2004

	Year Ended June 30, 2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	\$ 1,717,707	\$ 31,408,123	\$ 25,953,568	\$ 59,079,398
Investment return				
Pooled investments	7,927,239	10,882,575	8,463,212	27,273,026
Non-pooled investments	499,521	944,800	2,054,029	3,498,350
Equity in net income/(loss) of subsidiary	(453,534)			(453,534)
Total investment return	7,973,226	11,827,375	10,517,241	30,317,842
Fundraising service revenue	2,181,414			2,181,414
Return on funds held in trust by others		(427,717)	1,554,160	1,126,443
Other earnings	32,762	369,033	96,412	498,207
Net assets released from restrictions	33,229,156	(33,229,156)		-
TOTAL REVENUES	45,134,265	9,947,658	38,121,381	93,203,304
EXPENDITURES				
Program	33,503,016			33,503,016
Operating:				
Fundraising	6,567,473			6,567,473
Administrative	2,834,646			2,834,646
Annuity liability adjustment	67,311	(726,580)	203,795	(455,474)
TOTAL EXPENDITURES	42,972,446	(726,580)	203,795	42,449,661
CHANGE IN NET ASSETS	2,161,819	10,674,238	37,917,586	50,753,643
Net Assets, Beginning of Year	9,709,970	92,911,942	295,254,980	397,876,892
NET ASSETS, END OF YEAR	\$11,871,789	\$103,586,180	\$333,172,566	\$448,630,535

See the accompanying notes which are an integral part of these financial statements.

Year Ended June 30, 2004			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 580,763	\$26,702,729	\$ 30,347,363	\$ 57,630,855
5,729,201	9,753,750	22,056,940	37,539,891
1,184,123	1,231,312	2,147,740	4,563,175
(73,342)			(73,342)
6,839,982	10,985,062	24,204,680	42,029,724
1,683,239			1,683,239
	673,277	25,306	698,583
40,336	257,094	116,805	414,235
47,607,695	(47,607,695)		-
56,752,015	(8,989,533)	54,694,154	102,456,636
48,112,695			48,112,695
6,368,472			6,368,472
2,729,271			2,729,271
431,737	(480,743)	429,017	380,011
57,642,175	(480,743)	429,017	57,590,449
(890,160)	(8,508,790)	54,265,137	44,866,187
10,600,130	101,420,732	240,989,843	353,010,705
\$9,709,970	\$92,911,942	\$295,254,980	\$397,876,892

IOWA STATE UNIVERSITY FINANCIAL REPORT

NOTES to the FINANCIAL STATEMENTS

For the Year Ended June 30, 2005

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Iowa State University of Science and Technology (Iowa State University), located in Ames, Iowa, is a land grant institution owned and operated by the State of Iowa, under the governance of the Board of Regents, State of Iowa (Board of Regents). The Board of Regents is appointed by the governor and confirmed by the state senate. Because the Board of Regents holds the corporate powers of Iowa State University, the University is not deemed to be legally separate. Accordingly, for financial reporting purposes, the University is included in the financial report of the State of Iowa, the primary government, as required by U.S. generally accepted accounting principles. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The University offers courses of study leading to degrees at the undergraduate, graduate, and post-graduate levels. Degrees are available from eight colleges: Agriculture, Business, Design, Education, Engineering, Family and Consumer Sciences, Liberal Arts and Sciences, and Veterinary Medicine. Other major operating units of the University are: Agricultural Experiment Station; statewide Cooperative Extension Service; and the Ames Laboratory, a U.S. Department of Energy sponsored Independent Operation. The campus consists of approximately 1,788 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,609 acres.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and certain other entities for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships to the University.

1. **Wholly Owned Subsidiary** - Effective July 1, 1987, the University formed the ISU Equities Corp., (ISUEC), as a wholly owned subsidiary. The University has recorded the investment in this wholly owned subsidiary following the equity method of accounting. The University's carrying value as of June 30, 2005, was \$60,371, the carrying value of ISUEC.
2. **Blended Component Units** – The Iowa State University Research Foundation, Inc. and Miller Endowment, Incorporated are entities which are legally separate from the University, but are so intertwined with the University that they are, in substance, part of the University. Accordingly, they are blended into the University's financial statements. The financial statements of these entities have been audited by other independent auditors and their reports may be obtained from the Office of the Vice President for Business and Finance at Iowa State University.

Iowa State University Research Foundation, Inc. was organized as a corporation to assist in securing protection for intellectual property such as patents and copyrights resulting from research, writing, and other projects of members of the Iowa State University community. The revenues of this organization are included in the "Other operating revenues" classification and expenses included in the "Institutional support" classification in the Statement of Revenues, Expenses and Changes in Net Assets. For the year ended June 30, 2005, the revenues and expenses were \$2,018,076 and \$2,348,683, respectively.

Miller Endowment, Incorporated was established December 18, 1995 pursuant to the will and codicil of F. Wendell Miller. The will and codicil appointed the presidents of Iowa State University and the State University

of Iowa as co-executors of the Miller Estate and co-trustees of the Miller Endowment Trust, a charitable trust, and further directed that the two universities be equal beneficiaries of the income from said trust. The will and codicil also directed the trustees to have the right and discretion to create a charitable corporation, to be “Miller Endowment, Incorporated”, to own, administer and control the affairs and property of the trust. This corporation has been organized under Chapter 504A of the Code of Iowa and Section 501(C)(3) of the Internal Revenue Code. During fiscal year 1998, the assets of the trust were officially transferred to Miller Endowment, Incorporated. Since the net revenues and assets of the corporation are solely for the equal benefit of the two universities, one half of the value of the corporation’s transactions has been blended into the University’s operations. During fiscal year 2005, for investment management purposes, all assets of the trust were pooled with the University’s endowment funds. Accordingly, the State University of Iowa’s half of the trust is included in the University’s Cash and Cash Equivalents, Investments, and Deposits Held in Custody for Others.

3. **Discretely Presented Component Unit** – The Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the “Foundation”) are a legally separate, tax-exempt component unit of the University. The combined financial statements of the Foundation’s organizations are presented in these financial statements because the organizations have a common Board of Directors, common management, and the common objective to promote the welfare of the University and its faculty, graduates, students, and former students. The mission of the Foundation is to secure and manage private gifts that support the University’s aspiration to become the nation’s best land-grant university. The Foundation strives to maximize the interest, involvement and, ultimately, enduring commitment of donors, and to manage donated assets for the benefit of the University in accordance with donors’ wishes.

Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its faculty, graduates, students and former students, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements. During the years ended June 30, 2005 and 2004, the Foundation distributed and expended \$33,503,016 and \$48,112,695, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2005	2004
<i>Scholarships, loan funds, and awards</i>	\$ 13,027,545	\$ 13,260,674
<i>Faculty and staff support</i>	4,508,946	4,093,503
<i>College and administrative support</i>	7,423,210	7,574,402
<i>Buildings, equipment, and repairs</i>	7,735,349	22,483,021
<i>Gifts in kind</i>	807,966	701,095
<i>Total Program Support</i>	<u>\$ 33,503,016</u>	<u>\$ 48,112,695</u>

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the University’s financial reporting entity for these differences.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have

ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Complete financial statements for the Foundation can be obtained from the Foundation at 2505 Elwood Drive, Ames, IA 50010-8644 or from the Foundation's website at www.foundation.iastate.edu/about/financial.

C. Financial Statement Presentation

The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB.)

The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive entity-wide perspective of the University by requiring a Management's Discussion and Analysis; a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.

When an expense is incurred for which both unrestricted and restricted net assets are available, the University's policy is to first apply the restricted resources before the unrestricted resources.

The University has the option to apply all FASB pronouncements issued after November 30, 1989, unless those pronouncements conflict or contradict GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

D. Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 35. Accordingly, the financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned, expenses recorded when an obligation has been incurred, and all significant intra-agency transactions have been eliminated.

E. Cash and Cash Equivalents

For purposes of the Statement of Net Assets and the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments in mutual funds are considered to be cash equivalents and are reported at fair value. Cash equivalents are readily convertible to known amounts of cash.

F. Investments

Investments of the University are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

Investments of the Foundation are carried at fair value as determined by values provided by an external investment manager and quoted market values. Real estate is carried at fair value based on independent appraisals, which are adjusted by the change in land values based on U.S. Census of Agriculture estimates and the latest survey of Iowa real estate brokers. The carrying values of other investments and long-term liabilities approximate fair value because these financial instruments bear interest at rates that approximate current rates the Foundation could obtain on contracts or notes with similar maturities and credit qualities.

G. Inventories

Inventories consist of supplies and merchandise for resale and livestock. Inventories of supplies and merchandise are valued at the lower of cost (primarily weighted average) or market. Inventories of livestock are reported at year-end market value.

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition or at estimated fair market value at the date of donation. Capitalization of interest on assets under construction has been included in the cost of those assets. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 10 to 30 years for infrastructure and land improvements, 2 to 20 years for equipment, and 10 years for library collections.

I. Deferred Revenue

Deferred revenue includes items such as advance ticket sales, summer school tuition not earned during the current year, and amounts received from grants and contracts that have not yet been earned.

J. Compensated Absences

Employees' compensated absences are accrued when earned under the provisions of Chapters 79 and 262 of the Code of Iowa. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of \$2,000 upon retirement. The liability for accrued compensated absences as reported on the Statement of Net Assets is based on the current rates of pay.

K. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, refundable advances on student loans, and other liabilities that will not be paid within the next fiscal year.

L. Net Assets

The University's net assets are classified as follows:

1. **Invested in capital assets, net of related debt** – Capital assets, net of accumulated depreciation and outstanding debt attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted, nonexpendable** – Net assets subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.
3. **Restricted, expendable** – Net assets subject to externally imposed restrictions on use of resources either legally or contractually.
4. **Unrestricted** – Net assets not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

M. Operating Revenues and Expenses

Operating revenues and expenses reported on the Statement of Revenues, Expenses and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income.

N. Revenue Pledged for Debt Service

Tuition and fees are pledged as security for Academic Building Revenue Bonds, Fieldhouse-Auditorium Revenue Bonds, Ice Arena Facility Revenue Notes, Indoor Multipurpose Use and Training Facility Revenue Bonds, Memorial Union Revenue Bonds, Recreational Facility Revenue Bonds, and Student Health Facility Revenue Bonds. Auxiliary enterprise revenues are pledged as security for Dormitory Revenue Bonds, Indoor Multipurpose Use and Training Facility Revenue Bonds, Memorial Union Revenue Bonds, Parking System Revenue Bonds, Student Health Facility Revenue Bonds, Telecommunications Facilities Revenue Bonds, and Utility System Revenue Bonds.

O. Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Athletic Department, University Book Store, Iowa State Center, Memorial Union, Parking System, Reiman Gardens, Residence Department, ISU Dining, Student Health Center, Telecommunications System, and Utility System.

P. Debt Issuance Costs

Debt issuance costs are expensed in the year the revenue debt is sold.

Q. Encumbrances

The University utilizes encumbrance accounting for budgetary control purposes. Each June 30th, the University is required to expend or encumber any cash balances remaining from the appropriations it receives for operating purposes, reverting any unencumbered funds. According to Section 8.33 of the Code of Iowa, the University is permitted to carry encumbrances for specialized equipment and building repairs forward to the next fiscal year. The June 30, 2005, encumbered balance carried forward to fiscal year 2006 was \$10,194,765 including items recognized as accounts payable for specialized equipment totaling \$82,842.

R. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, INVESTMENTS AND DEPOSITS WITH TRUSTEES

A. Cash and Cash Equivalents

As of June 30, 2005 and 2004, the book balances of cash and cash equivalents were \$88,655,363 and \$161,075,049, respectively. As of June 30, 2005 and 2004, the bank balances were \$97,410,965 and \$164,207,559, respectively, of which \$54,983,942 and \$54,347,980, respectively, were covered by Federal Depository Insurance (FDIC) or by the State's Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Of the bank balances as of June 30, 2005 and 2004, \$42,427,023 and \$109,859,579, respectively, were uninsured and uncollateralized. As of June 30, 2005, the University's cash equivalents includes \$20,431,479 of AA fixed income mutual funds as rated by Standard & Poor's and \$11,152,759 of international mutual funds. As of June 30, 2004, \$14,599,790 of AA fixed income mutual funds as rated by Standard & Poor's, \$57,382,527 of equity mutual funds, and \$8,519,605 of international mutual funds were included as cash equivalents.

B. Investments (University)

In accordance with the Code of Iowa and the Board of Regents' policy, the University's operating portfolio may be invested in obligations of the U.S. government or its agencies, certain high rated commercial paper, highly rated corporate bonds, certain limited maturity zero coupon securities, fully insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds and highly rated guaranteed investment contracts. The University's endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending rule for fiscal year 2005 was that 4.625 percent of market value based on a three-year rolling market average was calculated and distributed per the requirements of the endowment.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University manages this risk within the portfolio using the effective duration method which is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. The University reduces exposure to this risk by following the operating and endowment portfolio benchmarks as established by the Board of Regents.

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Of the University's \$346.6 million investments, \$420,883 of U.S. Government Agencies securities, \$885,306 of common stock, and \$145,132 of performance enhancement investments are held by the Foundation, not in the University's name.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the University's investment in a single issuer. The University reduces exposure to this risk by complying with the Board of Regents investment policy which requires that, except for U. S. Government securities, no more than 5% of the investment portfolio shall be invested in securities of a single issuer.

The fair value, effective duration, and Standard & Poor's credit quality rating of the University's investments at June 30, 2005, were as follows:

	<i>Fair Value</i>	<i>Effective Duration</i>	<i>Credit Quality Rating</i>
<i>U. S. Government Agencies</i>	\$ 198,552,443	1.33	AAA
<i>Corporate Notes and Bonds</i>	47,516,207	1.59	AAA
<i>Subtotal</i>	246,068,650	1.38	
<i>Common Stock</i>	99,918,453		
<i>Performance Enhancement Investments</i>	145,132		
<i>Real Estate</i>	486,077		
<i>Total Investments</i>	<u>\$ 346,618,312</u>		

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2005 and 2004:

<i>Investment</i>	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<i>Pooled Investments:</i>		
<i>Bonds and Notes</i>	\$143,709,168	\$146,137,945
<i>Common Stock</i>	164,889,612	139,257,642
<i>Performance Enhancement Investments</i>	46,160,147	40,762,963
<i>Money Market Funds</i>	6,903,958	4,807,867
<i>Accrued Interest</i>	163,293	225,159
<i>Accrued Manager Fees</i>	(250,000)	(250,000)
<i>Total Pooled Investments</i>	<u>361,576,178</u>	<u>330,941,576</u>
<i>Other Marketable Securities:</i>		
<i>Bonds and Notes</i>	23,567,069	20,609,128
<i>Common Stock</i>	18,505,719	14,819,846
<i>Total Other Marketable Securities</i>	<u>42,072,788</u>	<u>35,428,974</u>
<i>Equity in Subsidiary</i>	2,093,394	2,546,928
<i>Real Estate and Other Investments:</i>		
<i>Real Estate</i>	8,624,712	7,583,350
<i>Notes Receivable</i>	1,758,441	1,763,079
<i>Notes Receivable from Affiliated Entities</i>	1,429,343	1,602,915
<i>Real Estate Contracts</i>	355,101	389,338
<i>Accrued Interest</i>	1,090	9,049
<i>Total Real Estate and Other Investments</i>	<u>12,168,687</u>	<u>11,347,731</u>
<i>Total Investments</i>	<u>\$417,911,047</u>	<u>\$380,265,209</u>

D. Deposits with Trustees

Funds on deposit with trustees for the purpose of paying current obligations of bond principal and interest at June 30, 2005 and 2004, totaled \$98,403 and \$98,403, respectively. In addition, funds on deposit with a trustee for the purpose of financing capital lease purchases at June 30, 2005 and 2004, totaled \$80,932 and \$936,163, respectively.

NOTE 3 - ACCOUNTS RECEIVABLE, DUE FROM GOVERNMENT AGENCIES, STUDENT LOANS RECEIVABLE, AND PLEDGES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2005 and 2004, accounts receivable consisted of the following:

	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<i>Accounts Receivable</i>	\$25,546,408	\$26,123,289
<i>Allowance for Doubtful Accounts</i>	(805,330)	(956,402)
<i>Accounts Receivable, Net</i>	<u>\$24,741,078</u>	<u>\$25,166,887</u>

B. Due from Government Agencies

Due from government agencies is composed of \$8,706,384 due from state and local government agencies and \$23,308,797 due from United States government agencies at June 30, 2005 and \$12,367,156 due from state and local government agencies and \$20,433,266 due from United States government agencies at June 30, 2004.

C. Student Loans Receivable

Student loans receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. Student loans receivable consisted of the following:

	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<i>Student Loans Receivable</i>	<i>\$22,276,255</i>	<i>\$22,948,885</i>
<i>Allowance for Doubtful Accounts</i>	<i>(203,392)</i>	<i>(199,011)</i>
<i>Student Loans Receivable, Net</i>	<i>\$22,072,863</i>	<i>\$22,749,874</i>

D. Pledges Receivable (Foundation)

The components of the net pledges receivable as of June 30, 2005 and 2004 are as follows:

	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<i>Gross Pledges Receivable</i>	<i>\$46,837,103</i>	<i>\$36,122,534</i>
<i>Allowance for Uncollectible Pledges</i>	<i>(3,299,641)</i>	<i>(1,715,238)</i>
<i>Discount to Present Value</i>	<i>(6,208,422)</i>	<i>(6,923,857)</i>
<i>Net Pledges Receivable</i>	<i>\$37,329,040</i>	<i>\$27,483,439</i>

The Foundation estimates payments on these pledges receivable as of June 30, 2005, will be received as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>
<i>2006</i>	<i>\$ 9,542,525</i>
<i>2007</i>	<i>10,027,504</i>
<i>2008</i>	<i>8,585,286</i>
<i>2009</i>	<i>4,528,673</i>
<i>2010</i>	<i>7,475,900</i>
<i>Thereafter</i>	<i>6,677,215</i>
<i>Total</i>	<i>\$46,837,103</i>

In addition, the Foundation has received notification of deferred gifts totaling approximately \$248,000,000 and \$233,000,000 as of June 30, 2005 and 2004, respectively, primarily in the form of revocable wills.

NOTE 4 - INVENTORIES

The inventory balances on the Statement of Net Assets are comprised of two distinct categories as described in Note 1G above and scheduled below:

	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<i>Supplies and Merchandise for Resale</i>	<i>\$12,259,673</i>	<i>\$10,289,170</i>
<i>Livestock</i>	<i>2,231,605</i>	<i>3,054,976</i>
<i>Total Inventories</i>	<i>\$14,491,278</i>	<i>\$13,344,146</i>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005, is summarized as follows:

	July 1, 2004	Additions	Transfers	Deductions	June 30, 2005
<i>Capital Assets, Nondepreciable:</i>					
Land	\$ 4,692,530	\$	\$	\$ (9,502)	\$ 4,683,028
Land Improvements	5,459,629			(143,731)	5,315,898
Construction in Progress	60,852,710	48,490,492	(70,164,320)	(109,298)	39,069,584
<i>Capital Assets, Nondepreciable</i>	<u>71,004,869</u>	<u>48,490,492</u>	<u>(70,164,320)</u>	<u>(262,531)</u>	<u>49,068,510</u>
<i>Capital Assets, Depreciable:</i>					
Buildings	766,736,953		64,740,409	(1,118,151)	830,359,211
Land Improvements	15,823,963		615,029		16,438,992
Infrastructure	139,413,362		4,808,882		144,222,244
Equipment	172,904,553	14,144,449		(5,983,292)	181,065,710
Library	137,397,061	8,202,794		(381,079)	145,218,776
<i>Capital Assets, Depreciable</i>	<u>1,232,275,892</u>	<u>22,347,243</u>	<u>70,164,320</u>	<u>(7,482,522)</u>	<u>1,317,304,933</u>
<i>Accumulated Depreciation:</i>					
Buildings	349,854,987	21,587,426		(1,109,813)	370,332,600
Land Improvements	5,264,725	738,398			6,003,123
Infrastructure	80,681,318	6,062,165			86,743,483
Equipment	112,277,000	11,881,687		(5,054,020)	119,104,667
Library	106,161,009	6,733,137		(381,079)	112,513,067
<i>Accumulated Depreciation</i>	<u>654,239,039</u>	<u>47,002,813</u>	<u>-</u>	<u>(6,544,912)</u>	<u>694,696,940</u>
<i>Depreciable Assets, Net</i>	<u>578,036,853</u>	<u>(24,655,570)</u>	<u>70,164,320</u>	<u>(937,610)</u>	<u>622,607,993</u>
<i>Total Capital Assets, Net</i>	<u>\$ 649,041,722</u>	<u>\$ 23,834,922</u>	<u>\$ -</u>	<u>\$ (1,200,141)</u>	<u>\$ 671,676,503</u>

Capital assets, net of accumulated depreciation, purchased with resources provided by outstanding capital lease agreements at June 30, 2005, consisted of \$1,298,132 of buildings and \$757,585 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005, is summarized as follows:

	July 1, 2004	Additions	Deductions	June 30, 2005	Current Portion
Long-Term Debt:					
Bonds Payable	\$271,470,896	\$ 24,280,250	\$ 14,705,666	\$281,045,480	\$ 14,590,000
Notes Payable	6,314,220	477,872	4,893,118	1,898,974	522,170
Capital Leases Payable	2,458,980		337,161	2,121,819	326,699
Total Long-Term Debt	280,244,096	24,758,122	19,935,945	285,066,273	15,438,869
Other Long-Term Liabilities:					
Compensated Absences	36,596,190	15,012,192	16,588,903	35,019,479	16,754,066
Early Retirement Benefits Payable	9,893,540		3,210,840	6,682,700	2,428,475
Accrued Interest	4,732,408		1,098,486	3,633,922	
Refundable Advances on Student Loans	17,980,086	198,807		18,178,893	
Deferred Revenue	3,898,680		385,000	3,513,680	520,000
Total Other Long-Term Liabilities	73,100,904	15,210,999	21,283,229	67,028,674	19,702,541
Total Long-Term Liabilities	\$353,345,000	\$ 39,969,121	\$ 41,219,174	\$352,094,947	\$ 35,141,410

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2005, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	3.00 – 6.85%	2006-2021	\$ 58,330,000
Dormitory	3.00 – 6.25%	2006-2030	134,375,000
Fieldhouse-Auditorium	4.50 – 5.00%	2006-2009	1,430,000
Indoor Multi-Purpose	2.00 – 4.50%	2006-2021	6,000,000
Less: Unamortized Discount			(82,666)
Memorial Union	2.50 – 4.625%	2007-2031	24,625,000
Less: Unamortized Discount			(331,490)
Parking System	2.80 – 5.00%	2006-2023	5,710,000
Recreational Facility	3.25 – 3.75%	2006-2011	6,210,000
Add: Unamortized Premium			82,203
Regulated Materials Facility	3.00 – 4.55%	2006-2020	6,750,000
Less: Unamortized Discount			(56,902)
Student Health Facility	4.90 – 5.50%	2006-2014	3,285,000
Telecommunications Facility	4.30 – 4.40%	2006-2008	2,630,000
Utility System	2.00 – 4.85%	2006-2025	32,255,000
Less: Unamortized Discount			(165,665)
Total Bonds Payable			\$ 281,045,480

Debt service requirements to maturity, as of June 30, 2005, are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 14,590,000	\$ 14,046,228	\$ 28,636,228
2007	15,560,000	13,291,285	28,851,285
2008	15,680,000	12,582,877	28,262,877
2009	15,625,000	11,765,279	27,390,279
2010	15,675,000	9,801,813	25,476,813
2011-2015	73,265,000	38,834,753	112,099,753
2016-2020	52,245,000	25,372,483	77,617,483
2021-2025	45,820,000	13,811,140	59,631,140
2026-2030	31,540,000	3,571,097	35,111,097
Thereafter	1,600,000	37,000	1,637,000
Less: Unamortized Discount	(636,723)		(636,723)
Add: Unamortized Premium	82,203		82,203
Total	\$ 281,045,480	\$ 143,113,955	\$ 424,159,435

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2005:

	<i>Interest Rates</i>	<i>Maturity Dates</i>	<i>Amount</i>
Design College Computer	2.24 - 5.20%	2006-2008	\$ 722,117
Ice Arena Facility	5.95%	2006-2013	1,176,857
Total			\$ 1,898,974

Debt service requirements to maturity, as of June 30, 2005, are as follows:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 522,170	\$ 88,569	\$ 610,739
2007	382,726	69,174	451,900
2008	227,007	53,722	280,729
2009	153,414	43,392	196,806
2010	162,678	34,128	196,806
2011-2013	450,979	41,036	492,015
Total	\$ 1,898,974	\$ 330,021	\$ 2,228,995

C. Capital Leases Payable

The University has an equipment master lease agreement to finance the acquisition of certain equipment. The lease payments are due semi-annually through fiscal year 2014 and bear interest rates ranging from 3.27% to 5.78%. The principal balance was \$2,067,074 and \$2,367,530, respectively, as of June 30, 2005 and 2004.

In addition to the master lease agreement the University has other capital lease agreements with various manufacturers. These lease payments are due through fiscal year 2009 at interest rates ranging from 1.9% to 6.15%. The principal balance of these capital leases was \$54,745 and \$91,450 respectively, as of June 30, 2005 and 2004.

The following is a schedule by year of future minimum lease payments required:

<i>Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 326,699	\$ 90,722	\$ 417,421
2007	340,956	76,466	417,422
2008	333,128	61,883	395,011
2009	276,172	48,207	324,379
2010	213,477	36,301	249,778
2011-2014	631,387	52,587	683,974
<i>Total</i>	<i>\$ 2,121,819</i>	<i>\$ 366,166</i>	<i>\$ 2,487,985</i>

NOTE 7 - OPERATING LEASES

The University has leased various buildings and equipment. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire before June 30, 2011, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the leased properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule, by year, of future minimum rental payments required under operating leases, which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2005.

<i>Year Ending June 30,</i>	<i>Amount</i>
2006	\$ 1,087,761
2007	675,808
2008	555,068
2009	539,666
2010	333,841
2011	144,464
<i>Total</i>	<i>\$ 3,336,608</i>

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature.

Rental expense for all operating leases was \$3,501,721 and \$3,302,995, respectively, for the years ended June 30, 2005 and 2004.

NOTE 8 - RESTRICTED NET ASSETS

The University's restricted net assets are classified according to externally imposed restrictions. The following table provides detail of the Restricted Net Assets balances.

	<i>June 30, 2005</i>	<i>June 30, 2004</i>
<i>Restricted-Nonexpendable:</i>		
<i>Permanently Endowed Funds</i>	\$28,481,172	\$28,071,960
<i>Restricted-Expendable:</i>		
<i>Student Loans</i>	8,553,977	9,080,048
<i>Scholarships, Research, and Educational Purposes</i>	12,542,423	11,024,360
<i>Capital Projects</i>	15,857,215	19,426,871
<i>Total Restricted-Expendable</i>	36,953,615	39,531,279
<i>Total Restricted Net Assets</i>	<i>\$65,434,787</i>	<i>\$67,603,239</i>

The Foundation's temporarily and permanently restricted net assets are available for the following purposes:

	June 30, 2005	June 30, 2004
<i>Temporarily Restricted:</i>		
College Program Support	\$ 31,437,460	\$ 31,680,933
Student Financial Aid	14,607,732	12,788,286
Faculty and Staff Support	5,268,592	4,586,886
Research	5,471,485	4,562,104
Building, Equipment, and Maintenance	43,826,366	35,064,661
Other	2,974,545	4,229,072
Total Temporarily Restricted Net Assets	\$ 103,586,180	\$ 92,911,942
<i>Permanently Restricted:</i>		
College Program Support	\$133,664,752	\$115,200,741
Student Financial Aid	124,592,025	111,171,109
Faculty and Staff Support	51,132,577	48,065,888
Research	12,138,171	11,391,300
Building, Equipment, and Maintenance	2,095,158	1,636,781
Other	9,549,883	7,789,161
Total Permanently Restricted Net Assets	\$333,172,566	\$295,254,980

NOTE 9 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA-CREF)

The University contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program that is a defined contribution plan. TIAA-CREF administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents' policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. The University's required and actual contributions amounted to \$29,807,232 and \$29,553,851, respectively, for the years ended June 30, 2005 and 2004. The employees' required and actual contributions amounted to \$14,903,615 and \$14,776,926, respectively, for the years ended June 30, 2005 and 2004.

B. Iowa Public Employees' Retirement System

The University contributes to the Iowa Public Employees' Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.7% of their annual covered salary; the University is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. These contribution requirements are established by State statute. The University's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$697,173, \$652,602, and \$554,560, respectively, equal to the required contributions for each year.

C. Early Retirement

Faculty, professional and scientific employees, merit system employees, institutional officials, and staff of the Board Office not under the Regent Merit System who were employed by the Board of Regents for a period of at least fifteen continuous years and who attained the age of 57 by June 30, 2002 were eligible for participation in the early retirement incentives program. During the years of participation in the program, the University provides the following fringe benefits based upon the employee's salary at the time of retirement and adjusted for changes in benefits that occur at specific ages: (1) the employer's contributions for health and dental insurance until the employee is eligible for Medicare coverage; (2) a \$4,000 paid-up life insurance policy; and (3) for employees covered by the TIAA/CREF retirement program, employee's and employer's contributions for up to three years and employer's contributions for up to an additional two years, with contributions payable for a maximum of five years or until eligible for full Social Security benefits, whichever occurs first (contributions for employees covered by IPERS are available as a cash payment equal to the present value of the benefits). As an alternative, if the employer agrees, all or part of the incentives except the \$4,000 life insurance policy could be provided as a cash payment equal to the present value of the benefit(s) for which it is substituted.

At its July 2001 meeting, the Board of Regents approved discontinuation of the early retirement incentive program upon its expiration on June 30, 2002. The Board also authorized each institutional head to exercise discretion as to whether faculty and staff who qualified for participation in the program on June 30, 2002, may have two years after expiration of the program to request participation. As a result of this change, faculty and staff of the University who were qualified for participation as of June 30, 2002, had through June 30, 2004, to elect participation.

As of June 30, 2005, 294 employees had elected to receive these benefits, for which the University is committed to future benefit payments totaling \$6,682,700 as reported on the Statement of Net Assets. During the fiscal years ended June 30, 2005 and 2004, the University paid \$3,595,287 and \$3,278,090, respectively, for continuing benefits. During the fiscal years ended June 30, 2005 and 2004, the University paid \$0 and \$152,043, respectively, in lump sum payments for this program. All incentive payments are financed on a pay-as-you-go basis.

NOTE 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2005 and 2004, the University had outstanding construction contract commitments of \$19,178,410 and \$20,965,705, respectively.

B. Risk Management

Iowa State University has elected to self-insure, or internally assume, certain potential losses where management believes it is more economical to manage these risks internally. The University's exposure and management of various risks are delineated below.

1. Employee Health and Dental Benefits

The State of Iowa purchases commercial health and dental insurance for general service staff of the University. The University and employees share the cost of the premium and reimburse the State for the coverage. The University self-funds its medical and dental insurance for non-general service staff employees. The University insures its medical claims with stop-loss insurance at 120% in aggregate for the HMO plan, 125% in aggregate for all other plans, and a \$300,000 individual maximum.

The following schedule presents the changes in claims liabilities for self-funded medical and dental insurance. The claims liabilities were calculated according to generally accepted actuarial principles in accordance with Actuarial Standard of Practice No. 5, and based on data provided by the University and the health plan vendors.

	2005	2004
<i>Unpaid Claims and Contingent Liabilities Accrued at July 1, 2004 and 2003</i>	\$ 3,233,000	\$ 3,537,000
<i>Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year</i>	36,355,454	30,722,394
<i>Payments on Claims During the Fiscal Year</i>	(36,505,454)	(31,026,394)
<i>Unpaid Claims and Contingent Liabilities Accrued at June 30, 2005 and 2004</i>	<u>\$ 3,083,000</u>	<u>\$ 3,233,000</u>

2. Employee Workers' Compensation/Unemployment Insurance

The State of Iowa self-insures, on behalf of the University, for losses related to workers' compensation and unemployment claims on state supported employees. The Iowa Department of Administrative Services (DAS) administers both programs. At the beginning of the fiscal year, DAS calculates an annual workers' compensation premium to be paid in quarterly increments for non-state supported employees of the University. The University's share of unemployment claims for non-state supported employees is also billed quarterly. The University establishes an internal rate for each program and separately charges each department for the benefits. Receipts from these charges are deposited into two separate reserve funds, considered self-insured pools, from which the quarterly payments are made. Since these reserves are maintained at a level adequate to pay the required premiums by adjusting the internal rates, no additional risk is assumed.

3. Employee Medical and Dependent Care Flexible Spending Programs

Eligible University employees have an option to participate in one or two flexible spending programs where they can elect to have a maximum of \$5,000 deducted from payroll on a pre-tax, non-refundable basis for either or both programs. These pre-tax deductions are used by the employee to cover qualified uninsured medical, dental and vision claims under the Medical Flexible Spending Program and/or qualified dependent care expenses under the Dependent Care Flexible Spending Program. The Medical Flexible Spending Program carries an element of self-insurance risk, as required by federal law. Since the University deducts only 1/12 of an annually elected amount from the employee's pay each month, but is liable for the total annual elected amount upon presentation of appropriate claims, it would be at risk for the difference between an employee's total reimbursed claims and the amount collected from payroll deductions should the employee terminate before contributing the total amount. The University, by law, cannot seek restitution for this difference. This same risk does not apply to the payroll deduction for the Dependent Care Flexible Spending Program as an employee can only claim what has been deducted from their payroll. These employee contributions are maintained in a separate account, which

has carried a surplus balance since inception of the program due to contributions exceeding claims each year. This surplus balance is used to fund the administrative costs of the program.

4. General Liability

The State maintains an employee fidelity bond whereby the first \$100,000 of losses is the responsibility of the University. Losses between \$100,000 and \$2,000,000 are insured. The University also maintains an employee blanket bond to cover losses up to \$4,000,000.

The State of Iowa self-insures, on behalf of the University, losses related to tort claims. The Board of Regents entered into a 28E agreement with the Department of Management, the State Appeal Board, and the Attorney General for resolution of tort claims of \$5,000 or less. Regents institutions are authorized to approve individual claims up to \$5,000, but not to exceed \$100,000 in aggregate per year. Tort claims settled in excess of \$5,000 must be unanimously approved by all members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Tort claims may be paid from the State's General Fund without limit.

5. Motor Vehicle Insurance

The Board of Regents' institutions cooperatively self-insure for liability losses related to motor vehicles up to \$250,000. Each Regents' institution is required to pay a pre-determined monthly premium for each vehicle into the cooperative insurance pool. Losses in excess of \$250,000 are self-insured by the State as provided in Chapter 669 of the Code of Iowa. The University self-insures its vehicles for physical damage. In addition to liability coverage, the insurance pool also self-insures for comprehensive and collision damage.

6. Property Insurance

The State of Iowa self-insures, on behalf of the University, property deemed general University property which is exclusive of property belonging to self-supporting enterprises. A contingency fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (includes general University property). The Code of Iowa states that claims in excess of \$5,000 may be submitted to the Executive Council for consideration. When a loss exceeds \$500,000, it is necessary to seek an appropriation from the General Assembly. The University purchases catastrophic commercial property insurance, including earthquake and flood coverage, for its general fund buildings with a \$2,000,000 per incident deductible. The University commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from \$10,000 to \$1,000,000 per occurrence.

7. Business Interruption and Extra Expense Insurance

The University self-insures for business interruption losses of its general mission revenues, such as tuition and fees, etc. Commercial insurance is purchased to cover business interruption losses for self-supporting enterprises such as the golf course, residence system, Iowa State Center, etc.

8. Insurance Settlements

The University had no settlements exceeding insurance coverage in any of the past three fiscal years.

NOTE 11 – OPERATING EXPENSE BY FUNCTION

The following is a summary of operating expenses by functional classification for the year ended June 30, 2005.

	Compensation And Benefits	Supplies	Services, Repairs & Professional Services	Other	Total
Instruction	\$ 153,167,556	\$ 8,057,247	\$ 12,085,312	\$	\$ 173,310,115
Research	98,380,369	17,568,010	36,291,501		152,239,880
Public Service	45,728,193	6,566,530	17,053,158		69,347,881
Academic Support	54,008,369	7,339,169	8,690,609		70,038,147
Student Services	15,698,581	5,372,764	4,491,666		25,563,011
Institutional Support	33,766,284	(1,796,470)	(2,312,968)		29,656,846
Operation & Maintenance	25,124,409	21,479,827	1,423,863		48,028,099
Scholarships & Fellowships				24,662,225	24,662,225
Auxiliary Enterprises	44,361,625	27,486,495	9,687,853		81,535,973
Independent Operations	19,436,206	8,654,377	1,691,045		29,781,628
Depreciation				47,002,813	47,002,813
Other Operating Expenses				974,744	974,744
Total Operating Expenses	\$ 489,671,592	\$ 100,727,949	\$ 89,102,039	\$ 72,639,782	\$ 752,141,362

NOTE 12 - SEGMENT INFORMATION

A segment represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding. Investors in those bonds rely solely on the revenue generated from the individual activities for repayment. The University's segments are described as follows:

A. Dormitory Revenue Bonds

The Dormitory Revenue Bonds were issued to build various residence halls, suites, and apartments. Revenues pledged for these issues are the net rents, profits, and income from the Department of Residence facilities of the University.

B. Field House - Auditorium Revenue Bonds

The Field House - Auditorium Revenue Bonds were issued in 1968 to build Hilton Coliseum, originally named the Fieldhouse Auditorium. Revenues pledged for this issue are the Student Fieldhouse Auditorium Fee, revenues derived from Hilton Coliseum operations, and interest on invested funds.

C. Ice Arena Facility Revenue Notes

The Ice Arena Facility Revenue Notes were issued in 2000 to construct, improve, and equip an Ice Arena Facility. Revenues pledged for this issue are the student ice arena facility fees.

D. Indoor Multipurpose Use and Training Facility Revenue Bonds

The Indoor Multipurpose Use and Training Facility Revenue Bonds were issued in 2003 to construct the Stephen and Debora Bergstrom Indoor Multipurpose Use and Training Facility. Revenues pledged for this issue are gift income and the rents, profits, and income derived from the operation of the facility, including the Multipurpose Use and Training Facility Student Fee.

E. Memorial Union Revenue Bonds

The Memorial Union Revenue Bonds were issued in 2004 to improve, remodel, repair, and construct additions to the Memorial Union Building and the Memorial Union Parking Facility and to refund the outstanding Memorial Union Series 2000 Notes. Revenues pledged for this issue are the net revenues of the Memorial Union and student building fees.

F. Parking System Revenue Bonds

The Parking System Revenue Bonds were issued in 2002 to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. In addition, the bonds were used to construct a single level parking deck on the University campus. Revenues pledged for this issue are the net revenues of the University's parking system.

G. Recreational Facility Revenue Bonds

The Recreational Facility Revenue Bonds issued in 2004 refunded in advance of maturity the 2005 through 2010 maturities of the Recreational Facility Revenue Refunding Bonds, Series 1994, which had previously refunded the Recreational Facility Revenue Bonds of 1987. These bonds were issued to construct, improve, and equip a combined recreation/athletic facility now known as the Lied Recreation Athletic Center. Revenues pledged for this issue are the student recreational facility fees and the student athletic fees.

H. Regulated Materials Facility Revenue Bonds

The Regulated Materials Facility Revenue Bonds were issued in 2003 to construct, furnish, and equip a regulated materials facility now known as the Environmental Health & Safety Services Building. Revenues pledged for this issue are the net revenues of the Regulated Materials Facility system.

I. Student Health Facility Revenue Bonds

The Student Health Facility Revenue Bonds were issued in 1995 to construct, improve, and equip a student health center now known as the Thomas H. Thielen Student Health Center. Revenues pledged for this issue are the Student Health Facility Fees, net income from the Student Health Center operations, and gift income.

J. Telecommunications Facility Revenue Bonds

The Telecommunications Facility Revenue Bonds were issued in 1997 to construct, improve, and equip the telecommunications facilities for the University. Revenues pledged for this issue are the net rents, profits, and income from the telecommunications facilities of the University.

K. Utility System Revenue Bonds

The Utility System Revenue Bonds were issued to construct, improve and equip various components of the University's utility system. Revenues pledged for this issue are the net revenues of the utility system, utility system student fees and interest on investments.

IOWA STATE UNIVERSITY

SEGMENT INFORMATION

As of and for the year ended June 30, 2005

	Dormitory Revenue Bonds	Fieldhouse- Auditorium Revenue Bonds	Ice Arena Facility Revenue Notes	Indoor Multipurpose Facility Revenue Bonds
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current Assets	\$ 9,072,976	\$ 540,857	\$ 98,403	\$ 925,613
Noncurrent Assets	21,459,614	3,112,329	446,070	3,527,986
Capital Assets	134,281,865	3,418,127	3,396,712	9,839,798
Total Assets	164,814,455	7,071,313	3,941,185	14,293,397
Liabilities:				
Current Liabilities	8,941,559	408,868	98,403	925,235
Noncurrent Liabilities	132,015,229	1,070,000	1,113,466	8,616,013
Total Liabilities	140,956,788	1,478,868	1,211,869	9,541,248
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	15,464,374	2,348,127	2,283,246	4,736,115
Restricted	248,922	1,235,490		(5,503)
Unrestricted	8,144,371	2,008,828	446,070	21,537
Total Net Assets	\$ 23,857,667	\$5,592,445	\$2,729,316	\$ 4,752,149
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating Revenues	\$ 56,860,635	\$2,306,257	\$	\$
Operating Expenses	(41,303,935)	(2,664,133)		
Depreciation Expense	(4,573,184)	(115,533)	(100,908)	(252,302)
Net Operating Income/(Loss)	10,983,516	(473,409)	(100,908)	(252,302)
Nonoperating Revenues/(Expenses)	(10,007,936)	232,094	(55,450)	1,165,973
Transfers From/(To) University Funds	225,243	707,671	109,404	
Change in Net Assets	1,200,823	466,356	(46,954)	913,671
Beginning Net Assets	24,208,956	5,126,089	2,776,270	3,838,478
Prior Period Adjustment	(1,552,112)			
Ending Net Assets	\$ 23,857,667	\$5,592,445	\$2,729,316	\$ 4,752,149
CONDENSED STATEMENT OF CASH FLOWS				
Net Cash and Cash Equivalents Provided/(Used) By:				
Operating Activities	\$ 12,508,008	\$ 139,867	\$	\$
Non-Capital Financing Activities				
Capital and Related Financing Activities	(16,736,018)	29,524	(87,402)	(136,063)
Investing Activities	7,403,213	(5,987)	16,404	(40,714)
Net Increase/(Decrease)	3,175,203	163,404	(70,998)	(176,777)
Beginning Cash and Cash Equivalents	(2,214,144)	(36,949)	517,068	198,757
Prior Period Adjustment	(53,741)			
Ending Cash and Cash Equivalents	\$ 907,318	\$ 126,455	\$ 446,070	\$ 21,980

Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational Facility Revenue Bonds	Regulated Materials Facility Revenue Bonds	Student Health Facility Revenue Bonds	Telecommunications Facility Revenue Bonds	Utility System Revenue Bonds
\$ 702,450	\$ 801,933	\$1,043,153	\$ 487,231	\$3,758,396	\$ 1,297,980	\$20,017,564
20,070,706	1,991,231	1,292,016	1,547,071	1,320,685	9,464,775	8,622,581
12,130,350	6,191,976	6,140,234	8,202,315	4,609,762	14,535,601	46,097,720
32,903,506	8,985,140	8,475,403	10,236,617	9,688,843	25,298,356	74,737,865
786,523	588,632	1,123,864	486,906	571,292	1,133,076	3,707,488
24,673,153	5,527,251	5,275,000	6,333,098	3,207,591	1,881,038	30,007,669
25,459,676	6,115,883	6,398,864	6,820,004	3,778,883	3,014,114	33,715,157
6,118,915	1,182,226	865,234	2,483,029	1,579,762	13,507,101	18,504,632
6,316	(3,025)	535,557	(5,905)	1,320,915	10,466	4,136,410
1,318,599	1,690,056	675,748	939,489	3,009,283	8,766,675	18,381,666
\$ 7,443,830	\$2,869,257	\$2,076,539	\$ 3,416,613	\$5,909,960	\$22,284,242	\$41,022,708
\$ 2,342,138	\$3,033,170	\$	\$ 424,331	\$7,619,844	\$ 7,234,095	\$28,811,629
(3,491,842)	(2,046,337)		(367)	(6,965,887)	(4,583,531)	(21,433,645)
(439,770)	(344,573)	(267,073)		(212,855)	(3,047,038)	(2,232,192)
(1,589,474)	642,260	(267,073)	423,964	441,102	(396,474)	5,145,792
46,853	(269,385)	(173,326)	(13,005)	(135,732)	(96,111)	(639,192)
2,154,555	(6,699)	1,137,032	2,048,617	442,435	345,278	63,739
611,934	366,176	696,633	2,459,576	747,805	(147,307)	4,570,339
5,660,736	2,503,081	1,379,906	957,037	5,162,155	22,431,549	36,452,369
1,171,160						
\$ 7,443,830	\$2,869,257	\$2,076,539	\$ 3,416,613	\$5,909,960	\$22,284,242	\$41,022,708
\$ 769,720	\$ 955,918	\$	\$ 423,964	\$775,093	\$ 2,801,365	\$6,659,763
18,720,783	(943,298)	(64,745)	(4,803,996)	(255,532)	(4,170,545)	(9,956,616)
(19,172,250)	43,344	(1,243,284)	3,056,418	16,799	148,870	3,013,958
318,253	55,964	(1,308,029)	(1,323,614)	536,360	(1,220,310)	(282,895)
1,113,482	1,649,463	1,322,455	2,262,974	3,223,488	3,033,729	18,013,862
\$ 1,431,735	\$1,705,427	\$ 14,426	\$ 939,360	\$3,759,848	\$ 1,813,419	\$17,730,967

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2005, the Board of Regents, State of Iowa, authorized the sale of Academic Building Revenue Bonds, Series I.S.U. 2005 for \$20,000,000 to be issued on December 1, 2005. These bonds will bear interest at varying rates between 4.0% and 4.5% and will mature in varying amounts from July 1, 2008 through July 1, 2027. The proceeds of these bonds will be used to pay a portion of the costs of constructing additions and improving, remodeling, repairing, and equipping the veterinary teaching hospital and diagnostic lab and Coover Hall and for fire safety costs on the campus. The proceeds will also be used to fund a debt service reserve and pay for costs of issuance. These bonds will be payable solely from the gross student fees and charges levied against students attending the University.

**IOWA STATE UNIVERSITY CONTROLLER'S DEPARTMENT
FINANCIAL ACCOUNTING AND REPORTING STAFF**

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